

INFLUENCE OF DISCOUNTS ON CONSUMER BEHAVIOUR

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Introduction

Sales promotion techniques are instruments that seek to increase sales of products and brands, usually in a short time (Wierenga & Soethoudt, 2010), because they act in the consumer's mind as a benefit to him, creating thus consumer behaviour (Yusuf, 2010).

Understanding the variables that affect consumer behaviour and the decision-making process is not just the work of big corporations (AILAWADI, BEAUCHAMP, DONTU, GAURI, and SHANKAR, 2009), but also of professionals seeking to find the key areas of marketing studies. Among the variables that affect the consumer's purchase decision is the price, which has a significant influence on communication factors concerning the advantages of purchasing a product or hiring a service.

Price can be accompanied by a "discount," which increases the perceived value of the product for the purchaser. The value is based on the consumer's perception of the benefits of the product vis-à-vis the price. Many factors influence the consumer's perception of value, such as the following: the initial price, the consumer's attitude to the product, the expertise of the consumer, and previous experience of the product.

A price discount is a very prevalent marketing strategy to attract consumers by providing an extra value or incentive, which encourages consumers to purchase the promoted products immediately (Yin and Huang 2014). In marketing research, theoretical models have been developed to investigate the relationship between price and customers' perceptions of products, and two well-known models in the pricing literature are the price-quality-value model (Monroe and Krishnan 1985) and the means-end model (Zeithaml 1988). According to these models, price increases both perceived quality and perceived sacrifice (the sacrifice of paying more), and the trade-off between perceived quality and perceived sacrifice affects perceived value.

When the price is high, consumers perceive that the quality of the product is high. With respect to price discounts, according to the price-quality-value model (Monroe and Krishnan 1985) and means-end model (Zeithaml 1988), consumers should perceive that more highly discounted products are of lower quality.

However, researchers have found inconsistent results in the effects of price discounts on perceived product or service quality. Huang et al. (2014) and Rungtrakulchai (2013) found a positive relationship—a high price discount led to a perception of high product quality, Garretson and Clow (1999) found a negative relationship—a high price discount led to a perception of low quality, and Grewal et al. (1998a) found no relationship between price discounts and product quality.

A possible reason for these inconsistent results is that the price-quality-value model and means-end model consider only the momentary effect of price, but price discounts have an affective effect that can create positive feelings.

When they purchase hedonic products, consumers prefer price promotions that come with the hedonic benefits to price promotions that come with the utilitarian benefits. In other words, the affective effect of promotion is particularly important for hedonic products. Unlike many other product categories, apparel products have a high hedonic value (Kim and Forsythe 2007; Kim and Hong 2011), which refers to the sense of pleasure associated with the product (Kaul 2007).

To fill this void, this study investigated (a) the direct effects of price discount on consumers' perceptions of savings, quality, and price discount affect, (b) the direct effects of price discount affect on consumers' perceptions of savings, quality, and value, (c) the mediating role of price discount affect in the relationships between price discounts and consumers' perceptions of savings, quality, and value.

Hypothesis

The price–quality–value model proposed by Monroe and Krishnan (1985) and the means-end model proposed by Zeithaml (1988) have been widely used to investigate the relationship between price and customers' perceptions of products. The price–quality–value model describes the relationships between price, perceived quality, sacrifice, value, and willingness to buy. In the model, price is one of the external characteristics of a product that customers perceive as a stimulus. Perceived sacrifice is a measure of customers' perceptions about paying a price. Monroe and Krishnan (1985) proposed that consumers perceive price differently; some may perceive the objective price as high, while others may perceive it as low. Consumers' perceptions of product quality and monetary sacrifice are derived from consumers' perceptions of price. Consumers infer that a higher price signals a higher quality, but at the same time, the higher price indicates a greater monetary sacrifice in purchasing the product. Consequently, the trade-off between perceived quality (i.e., gain) and perceived sacrifice (i.e., loss) results in perceived value. Finally, customers base their purchase decisions on perceived value, and their willingness to buy increases as their perception of value increases.

Effects of price discounts

Previous studies in marketing have shown that price discounts have both positive and negative effects on customers' evaluations and purchasing behaviour.

Economic effects of price discounts

Economic effects of price discounts are created by a monetary gain or non-monetary (e.g., time and effort) gain or loss from a price promotion provided to customers (Raghubir et al. 2004). A positive monetary effect of price promotion can be produced by the face value of a coupon or the amount of a rebate. An example of a positive non-monetary effect is that price promotion can help customers simplify the decision process and reduce the transaction time or effort. However, there are potential negative economic effects of price promotions. Customers may spend more time finding the best deal or delay their purchase to wait for a promotional offer.

Perceived savings have been shown to be a useful measure of customers' perceptions of price promotions.

This proposition of a positive relationship between price discounts and perceived savings is consistent with the price–quality–value model and means-end model. In these models, price is the amount that customers pay and is considered a sacrifice; thus, it is related negatively to perceived savings. A price discount, on the other hand, is a reduction from the original price and is perceived as a gain.

Hypothesis 1 A price discount has a positive influence on perceived savings. Apparel consumers' perceived savings increase as the price discount increases.

When the product quality is difficult to evaluate at purchase, consumers' perceived quality depends more on extrinsic product attributes than on intrinsic product attributes. Extrinsic product attributes are not physical parts of the product, but product-related cues (e.g., price, brand, and level of advertising), while intrinsic product attributes are physical properties of the product (e.g., color and textures). If consumers cannot predict the service quality before the service, such as dental service (Garretson and Clow 1999), they would expect quality based on the price that they pay. A high price discount signals to consumers that they may receive a low quality service. On the other hand, if consumers can expect the product quality (for example, at Starbucks, the same coffee is served to everyone all the time whether a price promotion is used or not; Huang et al. 2014), they would be excited to receive a price promotion, and a positive evaluation would result.

In the case of online apparel shopping, it is difficult for online shoppers to examine the apparel quality at the time of purchase because fit and textures, which are important criteria to evaluate apparel products, are not available. Consumers would be more likely to use extrinsic cues (e.g., price discounts) rather than intrinsic cues (e.g., fit and textures) to evaluate the quality of apparel products; price promotion would be a strong cue to infer the apparel quality online. A high price discount may signal to online apparel shoppers that the product is of low quality. This proposition is consistent with the price–quality–value model and means-end model, in which price and perceived quality have a positive relationship (Monroe 2003; Sweeney et al. 1999; Zeithaml 1988). As a reduction from the original price, a price discount is related negatively to perceived quality. Accordingly, Hypothesis 2 was proposed:

Hypothesis 2 A price discount has a negative influence on perceived quality. Apparel consumers' perceived quality decreases as the price discount increases.

Methodology:

An anonymous Google forms survey was used to investigate the proposed model and test the hypotheses.

It was kept anonymous so that respondents can freely convey their perceptions about price, value and quality.

A total of 86 responses were recorded for the people being in the age group of 18-35 years as these are the people capable of making independent decisions and shop in both physical and online stores.

Analysis of the survey:

Out of the 86 respondents 54.7% were males and 45.3 % were females.

65% respondents preferred shopping in physical stores and 35 % on online stores.

52.3% respondents found online sales more appealing and 47.7% found offline sales more appealing.

When asked: How likely are you to recommend a store to a friend because it offered a great deal on items? (on a scale of 1-10) 25.6% respondents said they very likely (10) to recommend it.

When asked: How likely (on a scale of 1-5) are you to make an impulse purchase in a store offering Flat 70% off. 38.4 % people said they were likely to make an impulse purchase and another 18.6% said they very likely to do it.

When asked: Do you keep yourself updated regarding the Sale dates. 51% i.e. majority respondents replied with a yes.

59.3 % respondents said they only shop from their favourite brands only when there is a sale.

When asked: Do messages on your mobile phone regarding on going discounts prompt you to visit stores? 33.7% people said yes and 40.7% people said maybe. Only 25.6% respondents replied with a no.

60.5% said that if they really liked a product out of their budget they would wait for a sale to commence before they buy it.

When asked : Have you ever brought something that you had no plans of buying , but bought it anyways because it was being offered on discount? 81.4% said yes.

73.5% people believe that products on sale are value for money.

58.1% people are of the belief that Flat 50% off is the most appealing offer.

How likely are you to buy an item on sale that you didn't buy the first time because it was out of your budget? 48.8% people responded by saying very likely.

Conclusion:

Customers base their purchase decisions on perceived value, and their willingness to buy increases as their perception of value increases. Our survey indicated that a high price discount led to a notion of higher savings and had a positive effect in the minds of the consumers. Consumers perceived the discounted products as value for money because they were sacrificing less. They believed savings increased as price discount increased. Thus, Hypothesis 1 was proven to be right.

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